

- ▶ Even companies that have a very successful innovation need to avoid becoming complacent and to keep innovation alive, as shown by the issues faced by the Richardson's kitchen knives company. Expertise in a particular technology can lead to inflexibility.

Now that the meaning of innovation and the diverse issues facing managers have been introduced, Chapter 3 will look at the specific issues of managing service innovation.

Management Recommendations

- ▶ Analyse market conditions and identify where innovations can have strong impacts.
- ▶ Review your markets using the Economic Theory of Profit. This should determine when and where profit margins are likely to be squeezed, and where suitable counter-actions will be necessary.
- ▶ Determine how economic cycles are influencing companies' investment levels. This should identify opportunities to innovate when others are focusing on cost-saving.
- ▶ Apply the insights provided by diffusion theory to individual innovation projects; managing the six factors that can lead to faster rates of adoption.

Recommended Reading

- (1) Rogers, E.M., *Diffusion of Innovations* (New York: The Free Press, 1995), ISBN 0-02-926671-8. This is one of the classic texts on innovation, with a wealth of fascinating examples of innovations in both the manufacturing and service sectors.

Main Case Study Richardson – strategy and NPD⁵⁴

Before reading this case, consider the following generic innovation management issues:

- ▶ How can successful companies avoid becoming trapped with one technology or product concept?
- ▶ How can links between the innovation strategy and new product development be made effective?
- ▶ How can the product concepts be selected that are most likely to be successful?
- ▶ Should new technology be developed in parallel to new products?

Richardson Sheffield is part of the American-owned McPherson's Houseware products group and manufactures kitchen knives and scissors. Until fairly

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recently the company's success was primarily based on one main product range. In 1980 the company's then owner invented the 'Laser' knife. With its fine serrated edge profile, this product had a 25-year 'stay sharp' guarantee, and created the market segment that is now known as 'never needs sharpening' (NNS). The Laser with its patents provided the company with a technological advantage that enabled it to grow dramatically throughout the 1980s. While the Richardson's name may not be that well-known, the company – through the Laser brand and the production of own-label products for major retailers – commands a significant share of the European NNS market.

In recent years new entrants to the market, weakening intellectual property rights, and the growing importance of 'fashion' in all kitchen products have started to weaken the company's position. Technologically advanced products were developed to counteract this trend but many were not as successful as anticipated. In fact the company was suffering from a number of key problems – many of which were confirmed by consultants brought in by the parent company.

Major problems

One of the key issues facing Richardson was, in common with many companies that have one highly successful product, a reluctance to move on. Designers were happy with the technology and the sales people wanted to stay with what they knew they could sell. In order to generate sales with the existing products, the company had adopted a strategy of giving every major retailer exactly what they wanted, no matter how difficult these product variations were and, as a result Richardson had ended up producing more and more niche variations of the same product.

As David Williams, group technical director for McPherson's, explains: 'We had ended up with an increasing number of customer-specific variations – and enormous business complexity, and all within a block of business that actually had not grown at all. Therefore, one of the factors we realized we had to change was the clinging to old technology and an old definition of what constituted "customer service" '.

Another key factor was that the new product development process, which supported the whole division's development effort, was poorly managed. For many years development had been reactive, not proactive. The main R&D department had increasingly become overloaded by the demand for product variations; one-off special designs were pushing out core product development. Even when an early filtering system was set up, it was far too bureaucratic. The result was that although the R&D function based at Richardson Sheffield was the main development unit for the whole of the Houseware Group, work often ended up being undertaken by other engineering departments within Richardson, leading to duplicity of effort.

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The NPD process itself suffered from many typical problems; in particular there was no 'front-end' coordination and control, and no real R&D focus. 'Instead of focusing on major projects, we used to start and develop many projects, and then cherry pick the best ideas for final design', explains Williams. 'Many ideas almost got to market before being dropped, because only right at the end did we get any marketing input'. Also, when NPD projects did pass through the proper system, decision-making was very slow and poor. 'All major project decisions had to be taken by the Group's senior executives at regular business review meetings', notes Williams. 'Not only did this mean that considerable time was wasted preparing for the meetings, but R&D was only one item on the agenda at these reviews – and usually the last one. Consequently decisions were often rushed; there was poor decision making, with executives acting as judge and jury, dismissing ideas and re-directing projects without full and proper consideration'. Also the reasons why some projects were chosen in preference to others were not transparent to most of the organization, as only those present at the business review meeting were informed.

An example of the inefficiency of the process is that one project went round in a loop through the concept, design, and modelling stages for two years. It started life as a replacement for a previous project – which had been running for some time – completely changing the specification for what the required knife should be. By the end of the two years the specification for the replacement project had changed so much that the final product was almost exactly what the original project would have delivered. In effect, a lack of front-end focus meant that two years were wasted on this project and several million pounds in potential sales were lost.

Another key problem was a poor understanding of the market and consumers. As with many companies that grow through technological dominance, and with products that effectively sell themselves, Richardson Sheffield had lost contact with its customers. As its technological lead diminished, the company found it increasingly difficult to develop new products that met consumers' expectations. As Williams explains: 'for example, on the back of another innovation – a tungsten carbide edge coating that stays sharp 11,000 times longer than a normal knife – the company launched its 'Fusion Edge' professional knives in the 1990s. However, while initially successful, the product did not meet sales expectations. What the market wanted – and initially thought it was getting – was a proper plain edge/professional chefs' knife that never needed sharpening'.

The Innovation Process

Having taken the biggest step towards change – recognizing and understanding the problems – Richardson Sheffield has over the last few years brought about significant changes in the way it develops new products. As

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focus is also placed on *Blue Sky* research, long-term projects with the potential to exceed customers' expectations.

A key part of this approach is the off-line development of new technology. Rather than put together concepts that require technology still in development, the approach is based on technology push. 'We have found in the past that it is very difficult to get new technologies to work, and impossible to say when the technology will be ready. So we have formalized the approach whereby I keep the technical developments on one side, only pushing them forward when they are ready', explains Williams. 'Once I have proved the material technology and the benefits of it, and if I can sell those benefits to the marketing people – and through concepts to the customer – then the technology is taken up and developed into a full project brief. This way customers are not left waiting for promised new technology, and from the market's point of view the development cycle from them seeing a technology to the finished product is very short'.

After retailers' reactions to concepts have been collected, these concepts are put through further screening and review – which takes into account the desired market positioning; how the product fits within the portfolio; the requirements of other companies within the division for this product; and strategic fit. Depending on the outcome of this process, concepts will be reworked, dropped or drawn up into a full development brief. This brief will include the product's price point, features, general shape and style required, and packaging. For all projects that are to be progressed the company now appoints a new product manager – from within marketing – who is made responsible for that project, and who works directly with the R&D team once they are given the brief.

By doing much more coordinated work up-front, only those projects which are likely to actually have a high market impact come into R&D for development, and those that have no real business merit no longer waste development resources. 'As a result of the changes, R&D no longer get bombarded with hundreds of half-baked and badly thought through ideas', notes Williams. To enforce this, authority for specific projects has been delegated to the marketing product managers and the development teams by the group's executives. Teams now have the responsibility for determining the project's objectives and, if a product is to be sold by other companies within the group, they must liaise with them to determine if their market requirements can be accommodated or not. Moreover, projects no longer have to be continually assessed by senior executives.

'Development projects are now very much in the hands of the marketing product managers. This means that projects are no longer being driven by senior executives – and in particular not by those that shout the loudest. Therefore projects are much less likely to be 'political solutions' – a design which tries to harmonize all the division's requirements and customer

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demands into one product, which often led to products that did not really meet anyone's requirements', says Williams. He adds: 'The senior executive review now only looks at future product strategy rather than specific projects, and this was again something that we dramatically needed to achieve'.

Stronger Market Analysis

However, it is pointless introducing a market-driven process, if marketing does not have a good understanding of the consumer and its marketplace. Therefore, alongside the changes in the development process, Richardson Sheffield has undertaken a substantial marketing review and invested heavily in consumer research. These two initiatives have helped the company to identify a much clearer programme of product and market development, which are now bringing about significant sales growth. 'We commissioned a major piece of independent research costing £35,000, looking at consumer usage and attitudes; this produced a number of key findings on what people felt were important', says Williams.

One of the key findings was that, of the different sizes and types of knives in a particular product range, the majority of consumers only use three or four, and even confident cooks rarely use more than six. Yet, up until then, most of the kitchen knife sets produced by Richardson Sheffield had 13 or 14 different knives. Another important issue was design and packaging. The research highlighted that when people go into a shop they first of all judge a knife on whether it has rivets in the handle. They instantly regard it a better quality knife than one with a plastic handle if it has these rivets. Then they like to be able to hold the knife to find out whether it is comfortable and well-balanced. These factors had clear implications not only on design but also on how the product is packaged and sold.

'Another point that was made clear was that consumers do not want a lot of fancy marketing jargon on the packs. They want a very clear brand, they want to know where it came from and they want a guarantee – those were the three things that they are really looking for on the pack', notes Williams. This was all vital information, and feedback that was hard to come by when we simply concentrated on talking to the retailers. We have obviously taken all this on board, and gone down the route of using this and other information in our product planning process'.

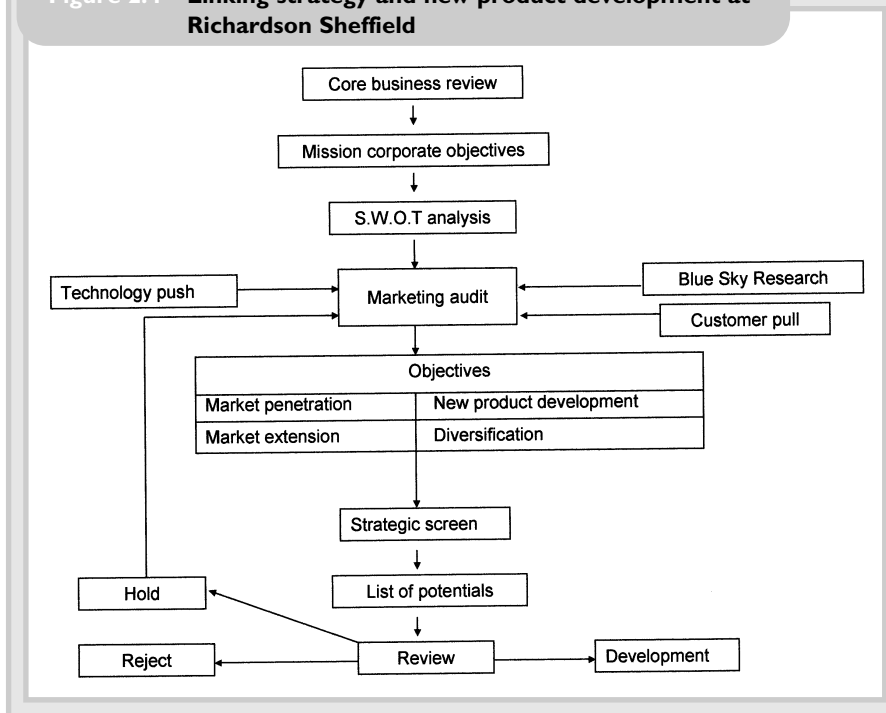
The research also had more immediate results in highlighting the problems with the company's 'Fusion Edge' professional product. While there was a definite interest in the edge technology, the research showed that people wanted a plain-edged knife rather than the serrated fusion-edge product. Crucially, rather than just finding out the reason for past problems, the company immediately used the information to redesign the product. 'Based on the research and with marketing working closely with the technical team,

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well as adopting many new practices to speed up NPD – a structured process, teams, empowerment, CAD/CAM and rapid prototyping – it has reorganized its predevelopment process to overcome the key issues of slow and poor decision-making and portfolio control. Moreover, marketing is now a major player in this process, ensuring that product ideas are market-led and meet with both customers' (retailers') and consumers' requirements.

The changes to managing innovation at Richardson Sheffield are summarized in the company's Three-Stage Model: this consists of a front-end process, the NPD process, and tooling to production process. The predevelopment 'front-end' is based around a process framework developed by Williams (see Figure 2.4). 'Essentially the first key ingredient was to establish that there was only one process . . . and all projects should follow this route, and be subjected to the same filter screens – no more product extensions, or projects being completed by the back door route', he says. To enforce this, marketing has become the originator of all new product projects, and as an initial project filtering process – the marketing audit – works jointly with R&D to develop product ideas that can be presented to retailers as a combination of technology, consumer and customer-driven concepts, rather than simply asking what retailers want and trying to produce this accordingly. A

Figure 2.4 Linking strategy and new product development at Richardson Sheffield



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we re-launched the product – Fusion Edge – but this time with a fine plain edge which was what the market wanted. This was the first new product to be driven by the research’, says Williams.

The same combination has been used since to drive another new product, with new technology into the market. As Williams notes: ‘we could see that there was also a real need for a product with a *switchable* edge technology to provide a longer lifetime, but which would be at a lower price point. This was a market area dominated by our biggest UK rival – Kitchen Devils – and where up until now we hadn’t really had a presence’. Knowing exactly what the market required, marketing went to R&D only to be informed that the necessary technology – a long-lasting titanium nitride edge coating – had already been developed as part of the off-line research projects. The result was the rapid development and successful launch of a market-driven, technologically advanced product – Excell – aimed specifically at satisfying a range of known consumer requirements.

Seizing Future Opportunities

Richardson Sheffield now concentrates on consumer requirements and driving a targeted programme of product development. This combines technology with a new focus on attractive designs, and aims to generate much more market pull – rather than the company’s previous pushing of products through retailers. The result has seen a total repositioning of the product range to match the various levels of market and customer expectations better in terms of quality, cost and design. New products are being introduced – such as a new stainless steel knife aimed at the top end of the market – to fill recognized gaps. ‘We’ve achieved a significant change in the culture of the business’, concludes Williams. ‘Instead of being reactive and clinging to old technologies, we have now changed our approach to the market. The approach is now very much based on style and design excellence combined with technological excellence. We are also now in a position to broaden our scope outside kitchen knives, and into the development of associated kitchen products’.